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Caryn D. Moir
Vice President
Federal Regulatory

SBC Telecommunications, Inc.
1401 I Street, N. W.; Suite 400
Washington, DC 20005-2296
Phone: 202.326.8915
Fax: 202.408.4809
cmoir@corp.sbc.com



November 1, 2001

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Salas
Secretary
Federal Communications Commission
Room TW-A325, The Portals
445 Twelfth Street, S. W.
Washington, DC 20554

RE: In the Matter of Applications for Consent to the Transfer of Control of Licenses
and Section 214 Authorizations from Ameritech Corporation, Transferor, To
SBC Communications, Inc., Transferee,
(CC Docket No. 98-141)

Dear Ms. Salas:

Pursuant to Appendix C (Separate Affiliate Requirements) regarding SBC Communications Inc.'s (SBC) compliance with the SBC/Ameritech Merger Conditions, and the extension granted by Mr. Kenneth Moran, Chief, Accounting Safeguards Division, CCB on August 16, 2001, SBC submits herein the supplemental report of its independent auditor, Ernst & Young LLP (EY). EY reports on the procedures agreed to by management of SBC and the Federal Communications Commission (FCC) for Southwestern Bell Communications Services, Inc. ("SBCS").

Sincerely,

A handwritten signature in cursive script, appearing to read "C D Moir".

Attachment

cc: Ms. Carol Matthey
Mr. Kenneth Moran
Mr. Anthony Dale
Mr. Hugh Boyle
Mr. Mark Stephens

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List A B C D E



■ Ernst & Young LLP
Frost Bank Towers
Suite 1900
100 West Houston Street
San Antonio, Texas 78205-1457

■ Phone: (210) 228-9696
Fax: (210) 242-7252
www.ey.com

**Supplemental Report of Independent Accountants on
Applying Agreed-Upon Procedures**

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

To the Management of SBC Communications Inc.

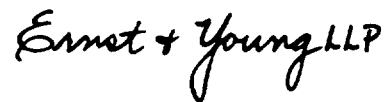
We have performed the supplemental procedure enumerated in Appendix A which was agreed to by management of SBC Communications Inc. ("SBC") and the Federal Communications Commission ("FCC"), solely to assist these specified parties in evaluating management's assertion that SBC complied with the separate affiliate requirements set forth in Section I of Appendix C of the FCC's Order approving the SBC/Ameritech Merger, CC Docket No. 98-141, released October 8, 1999 ("Separate Affiliate Requirements"), as amended by the Second Memorandum Opinion and Order, FCC 00-336, released September 8, 2000, allowing SBC's incumbent local exchange carriers ("ILECs") to own certain equipment used to provide advanced services throughout SBC's service area, during the period from January 1, 2000 to December 31, 2000 ("the Engagement Period"). This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedure described in Appendix A either for the purpose for which this report has been requested or for any other purpose.

The procedure performed and the results obtained are documented in Appendix A. This procedure and the results are not intended to be an interpretation of any legal or regulatory rules, regulations or requirements.

As the specified users to this report are aware, we are in the process of performing an agreed-upon procedures engagement regarding SBC's compliance with the Section 272 Requirements for the period from July 10, 2000 to July 9, 2001 as a result of SBC's entry into the interLATA long distance market (272 Biennial Engagement). Both the FCC and SBC are specified as users in the 272 Biennial Engagement. There may be exceptions disclosed upon completion of the 272 Biennial Engagement regarding SBC's and the SBC ILECs' compliance with the Section 272 requirements that SBC was not aware as of the date of SBC's representation letters reported upon herein.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on SBC's compliance with the Separate Affiliate Requirements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of SBC and the FCC and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads 'Ernst & Young LLP'.

October 31, 2001

APPENDIX A

Results of Supplemental Agreed-Upon Procedures

The definitions of the following terms are documented in Appendix B to our original Report of Independent Accountants on Agreed-Upon Procedures dated September 1, 2001: Advanced Services, Advanced Services affiliate(s), ASI, AADS, Advanced Services Equipment, Affiliate, Ameritech States, Assets, Customer Care, Engagement Period, ILECs, Merger Closing Date, Merger Conditions, Official Services, Permitted Billing and Collection Services, SBC States, Users and Voice Grade Services.

On August 16, 2001, the FCC Staff issued a letter stating that the Users agreed that no specific procedures were to be performed for Southwestern Bell Communications Services, Inc. ("SBCS") other than the execution of management representation letters that SBCS and the SBC ILECs are in compliance with Section 272 of the Communications Act of 1934, as Amended¹ (Section 272 Requirements) for the Engagement Period.

1. We obtained representation letters from the ILECs and SBCS dated October 31, 2001 representing that the SBC ILECs and SBCS complied with the Section 272 Requirements and therefore the Separate Affiliate Requirements during the Engagement Period, except for the known instances of noncompliance in the areas of non-local directory listings, billing and collection, interLATA foreign exchange service, employee transfers and Internet postings.
2. Additionally, SBC's representation letters included the following language: "Because you have not yet issued the Biennial Audit report, and the company has not been provided a draft of the Report, management does not know whether the report has identified or will identify other instances of noncompliance (whether material or not). Such noncompliance, if any, will be disclosed in the Biennial Audit report."

¹ These requirements are contained in 47 U.S.C. Section 272(b), (c) and (e) of the Communications Act of 1934, as Amended, and in 47 C.F.R. Section 53.209(b) of the Federal Communications Commission's rules and regulations